

COMMON REPORTING EXAMPLES

Form RPD-41132 Oil and Gas Detail Report

EXAMPLE A - REGULAR REPORTING DETAIL LINE

RPD - 41132
REV. 09/97

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
P.O. Box 2308 Santa Fe, NM 87504-2308
(505) 827-0806

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Sale Month / Year 02 / 01

OIL AND GAS TAXES DETAIL REPORT

Company Name DOLLARS, INC. OGRID Number 226241

| LINE | PUN | Suffix | Prod. Code | Special Tax Rate Code | Affiliation Code | TXN Code | Volume BBL - MCF | Gross Value | Transportation Deduction | Processing Deduction | Royalty Exemption | TAX DUE |
|------|---------|--------|------------|-----------------------|------------------|----------|------------------|-------------|--------------------------|----------------------|-------------------|---------|
| 1 | 1212242 | S2520 | 04 | | | 51 | 11872 | 2264.57 | 420.04 | 0.00 | 230.57 | 128.55 |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |

EXAMPLE: Dollars, Inc. (producer) remits the taxes.

- PUN: 1212242
- SUFFIX: S2520
- State Royalty Exemption: 12.5%
- Tax Rate: .079648
- Gas sold at the wellhead for \$1.87/MMBTU.
- Gas produced was 12111 MCF @ 14.73 P.B. and BTU was 1000.
- Broker passes through third-party transportation costs.

Dollars, Inc. identifies the Production Unit Number (PUN) and Suffix in the appropriate columns. Product code 04 is used to identify the transaction as a wellhead sale and Transaction Code 51 is used to identify the payment of taxes for an original reporting line entry. Dollars, Inc. converts the 12111 MCF @ 14.73 P.B. to New Mexico's required MCF @ 15.025 P.B. This equals to a reported volume of 11872.

The gross value is reported at the determined contract price and contract price volumes. The transportation deduction is identified and reported based upon information provided by the buyer for third-party transportation costs. The PUN and suffix being reported are for wells(s) on property leased from the state with a royalty exemption. The transportation deduction and royalty exemption are subtracted from the gross value and the difference is multiplied by the applicable tax rate for determining the tax due.

EXAMPLE B - REGULAR REPORTING DETAIL LINE - PROCESSED GASRPD - 41132
REV. 09/97STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
P.O. Box 2308 Santa Fe, NM 87504-2308
(505) 827-0806Page 1 of 1Sale Month / Year 05 / 00**OIL AND GAS TAXES DETAIL REPORT**Company Name J. K. S. OIL Company OGRID Number 324656

| PUN | Suffix | Prod. Code | Special Tax Rate Code | Affiliation Code | TXN Code | Volume BBL - MCF | Gross Value | Transportation Deduction | Processing Deduction | Royalty Exemption | TAX DUE |
|--------|--------|------------|-----------------------|------------------|----------|------------------|-------------|--------------------------|----------------------|-------------------|---------|
| 123456 | F4510 | 03 | | | 51 | 4883 | 6506.60 | 1140.38 | 659.76 | 588.31 | 329.45 |
| 123456 | F4510 | 07 | | | 51 | 1447 | 5954.62 | 337.95 | 195.51 | 677.64 | 379.48 |
| | | | | | | | | | | | |

EXAMPLE: JKS Oil Company (producer) remits the taxes

A company has a gas sales contract in which the price is derived at a mainline after the natural gas has been processed. Note: On “percentage of proceeds” type contracts, where the sales is at or near the wellhead, the following product breakdown and allocation of processing and transportation costs is not required. Percentage of proceeds contracts should be reported as product code 04 (unprocessed gas).

FACTS:

| | | | |
|--|--------------------------------------|--------------------------|-----------|
| Wellhead MCF at 15.025 psia: | 6330 | Residue Value: | \$6506.60 |
| Residue MCF at 15.025 psia: | 4883 | Plant Products Value: | \$5954.62 |
| Plant Products MCF Equivalent: | 1447 (Wellhead MCF less Residue MCF) | Transportation Charge: | \$1280.96 |
| Residue MCF % to Wellhead MCF: | 77.14% (4883/6330) | Dehydration Charge: | \$ 197.37 |
| Plant Products MCF Equivalent % to Wellhead MCF: | 22.86% (1447/6330) | Plant Processing Charge: | \$ 855.27 |

JKS reports separate lines for the processed gas (Product Code 03) and the gas plant products (Product Code 07). The transportation charges (transportation and dehydration) and the plant processing charge are allocated to the two lines based on the residue MCF % to wellhead MCF and the plant products MCF equivalent % to wellhead MCF.

On Line 1, JKS Oil Company identifies the Production Unit Number (PUN) and Suffix in the appropriate columns. Product code 03 is used to identify the product as Processed (Residue) Natural Gas and the appropriate transaction code is entered. The volume reported is 4883 (residue mcf), value reported is \$6506.60 (residue value). The transportation deduction amount reported is \$1140.38 (add the transportation charge of \$1280.96 plus the dehydration charge of \$197.37 then multiply by 77.14%). The processing deduction is \$659.76 (the plant processing charge of \$855.27 multiplied by 77.14%).

On Line 2, JKS again identifies the PUN, Suffix and the appropriate transaction code. Product Code 07 is used to identify the product as Gas Plant Product. The volume reported is 1447 (the plant products MCF equivalent); value is \$5954.62 (plant products value). The transportation deduction amount is \$337.95 (\$1280.96 plus \$197.37, then multiply by 22.86%). The processing deduction is \$195.51 (the plant processing charge of \$855.27 multiplied by 22.86%).

EXAMPLE C - AMENDMENT REPORTING

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Company Name J K S Oil Company OGRID Number 324656

| LINE | PUN | Suffix | Prod. Code | Special Tax Rate Code | Affiliation Code | TXN Code | Volume BBL - MCF | Gross Value | Transportation Deduction | Processing Deduction | Royalty Exemption | TAX DUE |
|------|---------|--------|------------|-----------------------|------------------|----------|------------------|-------------|--------------------------|----------------------|-------------------|----------|
| 1 | 1624526 | P1511 | 01 | | | 51 | (500) | (6075.00) | 0.00 | 0.00 | 0.00 | (488.78) |
| 2 | 1624526 | P1511 | 01 | | | 51 | 500 | 6255.00 | 0.00 | 0.00 | 0.00 | 503.26 |
| 3 | | | | | | | | | | | | |

Post-ONGARD amendments are for corrections to any previously reported original line entries reported on Form RPD-41132 Oil & Gas Detail Report

EXAMPLE: J K S Oil Company (producer) remits the taxes

- Tax Rate: .080457
- No Royalty Exemption for patented or private land
- J K S Oil Company determined in December, 1995, that the gross value reported on Form RPD-41132 for PUN 1624526, Suffix P1511, for the sales month of March, 1995, was incorrect. An incorrect price was used to calculate the value which caused the tax due to be understated. J K S Oil Company originally reported 500 BBLs of oil at \$12.15 per barrel. The correct price should have been \$12.51 per barrel.
- The original regular reporting detail line entry is reported together with the amendment on the report. Transaction Code 51 is used to identify the payment of taxes of an original line entry. Reverse the original line entry by using parentheses to indicate a credit entry and then enter the correct line entry.

The correct line entry uses Transaction Code 51 to identify an amendment to a previously reported original line entry. The volume, the gross value, the deductions, the royalty exemptions and the tax due are reported as described in Example A (regular reporting detail line).

EXAMPLE D - CORRECTION TO A DEBIT OR CREDIT COMPUTATION

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Sale Month / Year 07 / 00

Company Name XYZ Company OGRID Number 123456

| PUN | Suffix | Prod. Code | Special Tax Rate Code | Affiliation Code | TXN Code | Volume BBL - MCF | Gross Value | Transportation Deduction | Processing Deduction | Royalty Exemption | TAX DUE |
|---------|--------|---------------|-----------------------------|---------------------|-------------|---------------------|----------------|-----------------------------|-------------------------|----------------------|------------|
| 1234567 | S0510 | 01 | | 00 | 51 | (1000) | (3000.00) | | | (375.00) | (190.00) |
| 1234567 | S0510 | 01 | | 00 | 51 | 1000 | 3000.00 | | | 375.00 | 210.00 |
| | | | | | | | | | | | |

EXAMPLE: XYZ Company (producer) remits the taxes.

XYZ Company has received a "Notice of Assessment of Taxes" with a debit computation exception reason code (DC) and applicable summary and detail pages. XYZ knows which reported line in the return caused the computation error. XYZ would prefer to correct it by filing an amendment instead of making payment with the notice issued by the Department.

Line 1: XYZ Company should reverse the line exactly as previously reported by using parenthesis.

Line 2: XYZ reports the corrected line entry.

Note: The reversed line will compute and the Department's System will internally locate the offset and the previously issued computation line generating the notice will clear from your account.

EXAMPLE E - REPORTING APPLICATION, INDIAN INTERGOVERNMENTAL TAX CREDIT

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STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
P.O. Box 2308 Santa Fe, NM 87504-2308
(505) 827-0806

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OIL AND GAS TAXES DETAIL REPORT

Company Name ABC Company OGRID Number 11111

| PUN | Suffix | Prod. Code | Special Tax Rate Code | Affiliation Code | TXN Code | Volume BBL - MCF | Gross Value | Transportation Deduction | Processing Deduction | Royalty Exemption | TAX DUE |
|---------|--------|------------|-----------------------|------------------|----------|------------------|-------------|--------------------------|----------------------|-------------------|----------|
| 1234567 | I4510 | 01 | | 00 | 71 | 400 | 6492.00 | | | 811.50 | 487.39 |
| 1234567 | I4510 | 01 | | 00 | 72 | | | | | | (225.00) |
| | | | | | | | | | | | |

EXAMPLE: ABC Company (producer) remits the taxes.

- PUN: 1234567
- Suffix: I4510
- Product Sold: 400 Barrels of Condensate sold in October, 1996 for \$6492.00
- Well Spud Date on "Indian Tribal Land": August 1, 1996
- Indian Tax Calculated at the Rate in Effect on March 1, 1995: \$300.00
- ▲ State Tax Calculated at the Rate in Effect for October, 2001: \$487.39

On line 1, ABC Company identifies the Production Unit Number (PUN), Suffix and affiliation code in the appropriate columns. Product code 01 is used to identify the product as a sale of condensate and transaction code 71 is used to identify the qualifying sales for the Indian Intergovernmental Tax Credit.

On line 2, ABC reports the same PUN, suffix and product code. A transaction code of 72 is used to identify that the qualifying credit is being taken. ABC does not report entries in the volume, value and deduction columns (Note: Leave these columns blank). ABC evaluates which tax amount is lower. In this case, the Indian tax amount, calculated at the applicable tribal rate in effect on March 1, 1995 is lower (\$300.00 < \$487.39). ABC then multiplies this lower amount by 75% to determine the credit amount (\$300.00 x 75% = \$225.00). The credit is reported by using parenthesis in the Tax Due column.

NOTE: Taxpayers are required to distinguish between the qualifying and the non-qualifying production from wells which are assigned the same production unit number. Qualifying production is to be reported as above and the non qualifying production would be reported as a regular reporting detail line.

EXAMPLE F - PRODUCTION RESTORATION INCENTIVE

RPD - 41132
REV. 09/97

HB 65: Production Restoration Incentive

STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
P.O. Box 2308 Santa Fe, NM 87504-2308
(505) 827-0806

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OIL AND GAS TAXES DETAIL REPORT

Company Name ABC Drilling Company OGRID Number 111

| LINE | PUN | Suffix | Prod. Code | Special Tax Rate Code | Affiliation Code | TXN Code | Volume BBL - MCF | Gross Value | Transportation Deduction | Processing Deduction | Royalty Exemption | TAX DUE |
|------|---------|--------|---------------|-----------------------------|---------------------|-------------|---------------------|----------------|-----------------------------|-------------------------|----------------------|------------|
| 1 | 1123456 | P2510 | 04 | * | 0 | 51 | 4500 | 5692.50 | 0.00 | 0.00 | 0.00 | 263.15 |
| 2 | 1123456 | P2510 | 04 | | 0 | 51 | 2500 | 3162.50 | 0.00 | 0.00 | 0.00 | 264.79 |

EXAMPLE Production Restoration Qualification

Facts: Two well completions make up the sales and reporting of taxes to PUN 1123456. One well completion qualifies as a production restoration and one does not.

- Sales from production restoration well: 4500 mcf
- Sales from non-qualifying well: 2500 mcf
- Standard Tax Rate: 8.3728% (3.75% Severance Tax)
- Production Restoration Tax Rate: 4.6228% (0% Severance Tax)

Reporting: The one well completion that qualifies for the incentive tax rate (i.e. Production Restoration) must be distinctively reported on the Form RPD-41132, Oil & Gas Detail Report. Line one identifies the sales associated to the "production restoration" well completion and is identified with the use of the special tax rate code(*). The second line identifies all sales which are taxed at the standard rate.

(*) Note: Appropriate code provided when approved by TRD.

EXAMPLE G - WELL WORKOVER INCENTIVE

RPD - 41132
REV. 09/97

HB 65: Well Workover Incentive
STATE OF NEW MEXICO
TAXATION AND REVENUE DEPARTMENT
P.O. Box 2308 Santa Fe, NM 87504-2308
(505) 827-0806

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Sale Month / Year 06 / 02

OIL AND GAS TAXES DETAIL REPORT

Company Name ABC Drilling Company OGRID Number 111

| LINE | PUN | Suffix | Prod. Code | Special Tax Rate Code | Affiliation Code | TXN Code | Volume BBL - MCF | Gross Value | Transportation Deduction | Processing Deduction | Royalty Exemption | TAX DUE |
|------|---------|--------|------------|-----------------------|------------------|----------|------------------|-------------|--------------------------|----------------------|-------------------|---------|
| 1 | 1233414 | P2510 | 04 | | | 51 | 2400 | 4008.00 | 0.00 | 0.00 | 0.00 | 369.41 |
| 2 | 1233414 | P2510 | 04 | * | | 51 | 1640 | 2738.80 | 0.00 | 0.00 | 0.00 | 216.83 |
| 3 | | | | | | | | | | | | |

EXAMPLE Well Workover Qualification

Facts: Three wells make up the sales and reporting of taxes to PUN 1233414. One well qualifies as a well workover and two do not.

- 6/02 sales from qualified well: 1640 mcf
- 6/02 sales from 2 non-qualifying wells: 2400 mcf
- Standard tax rate: 9.21690% (Severance Tax 3.75%)
- * Reduced tax rate: 7.9169% (Severance Tax 2.45%)

Reporting: The one well completion that qualifies for the incentive rate must be distinctively reported on the Form RPD-41132, Oil and Gas Tax Detail Report. The detail line identified with the special tax rate code (*) and the tax calculated at the reduced rate is shown on line 2. The non-qualifying wells may be summed together and reported as one line (line 1).

(*) Note: Appropriate code provided when approved by TRD.

EXAMPLE H - MULTIPLE SUFFIXES BEHIND ONE PRODUCTION UNIT

Scenario 1:

Production Unit Number 1111111 has suffixes F1510, S1510, and P1510 and the dedicated acreage is 25% federal (F), 65% state (S) and 10% patented (P), with a total dedicated acreage of 360 acres. Taxpayer A and B each recognize an equal ownership in each of the land's acreage. During the month, Taxpayer A was allocated 100 barrels of production to sale. Taxpayer B was allocated 300 barrels of production to sale. Each party will pay taxes and report on Form RPD 41132 on the basis of the volume they actually removed or sold.

Taxpayer A would allocate reporting of taxes as follows:

100 bbls times 25% (25 bbls) is allocated to F1510.

100 bbls times 65% (65 bbls) is allocated to S1510.

100 bbls times 10% (10 bbls) is allocated to P1510.

Taxpayer B would allocate reporting of taxes using the same percentages as Taxpayer A but their taxes would be based on the 300 bbls.

Scenario 2:

Each suffix's dedicated acreage is the same as above, however Taxpayer A owns an interest in 25% of the federal land and 100% of the state land and Taxpayer B owns an interest in 75% of the federal land and 100% of the patented land. The production allocated is the same as in Scenario 1.

Taxpayer A would allocate reporting of taxes as follows:

100 bbls times 22.5 acres/256.5 acres would be allocated to F1510.

100 bbls times 234 acres/256.5 acres would be allocated to S1510.

Note: The 22.5 acres recognizes a 25% federal land ownership interest from a total federal land amount of 90 acres. The 234 acres recognizes a 100% state land ownership or 65% of the 320 acres.

Taxpayer B would allocate reporting of taxes as follows:

300 bbls times 67.5 acres/ 103.5 acres would be allocated to F1510.

300 bbls times 36 acres/ 103.5 acres would be allocated to P1510.

Note: The 67.5 acres recognizes a 75% federal land ownership interest and the 36 acres recognizes a 100% patented land ownership or 10% of 360 acres.